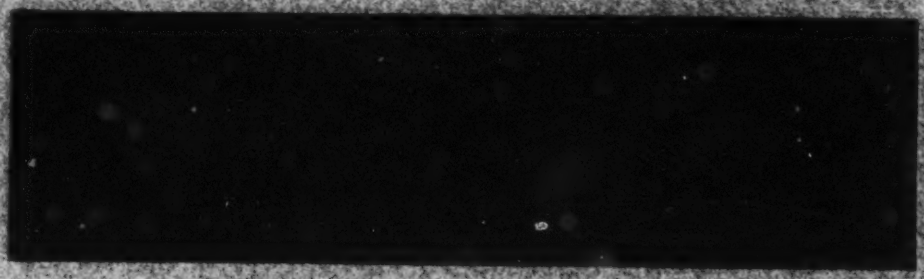
FINANCIAL STATEMENTS



ERNST & YOUNG

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SASKATCHEWAN ENERGY HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SASKATCHEWAN ENERGY HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

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SASKATCHEWAN ENERGY HOLDINGS LTD.

(FORMERLY SASKATCHEWAN ENERGY CORPORATION)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

Ernst & Young

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholder of Saskatchewan Energy Holdings Ltd.

We have audited the consolidated statement of financial position of Saskatchewan Energy Holdings Ltd. (formerly Saskatchewan Energy Corporation) as at December 31, 1990 and the consolidated statements of earnings and retained earnings and changes in cash position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst + Young

Regina, Canada
February 8, 1991

Chartered Accountants

SASKATCHEWAN ENERGY HOLDINGS LTD.

(Formerly Saskatchewan Energy Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	1990	1989
	(thousands of dollars)	
ASSETS		
CURRENT ASSETS		
Accounts receivable	$ 53,945	$ 50,364
Inventories of supplies	4,151	4,114
	58,096	54,478
NATURAL GAS IN STORAGE	64,492	61,409
PROPERTY, PLANT AND EQUIPMENT (Notes 2 & 3)	628,799	569,323
Less accumulated depreciation	29,848	18,989
	598,951	550,334
	$ 721,539	$ 666,221
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Short term debt (Note 4)	$ 54,383	$ 9,976
Accounts payable	66,189	36,466
Current portion of long term debt (Note 4)	31,074	48,320
	151,646	94,762
DEFERRED INCOME	24,195	16,848
LONG TERM DEBT (Notes 2 & 4)	464,021	483,080
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	-	-
Retained earnings	81,677	71,531
	81,677	71,531
	$ 721,539	$ 666,221

COMMITMENTS (Note 6)

(See accompanying notes)

On behalf of the Board:

W B Gibson, Director

, Director

SASKATCHEWAN ENERGY HOLDINGS LTD.

(Formerly Saskatchewan Energy Corporation)

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	1990	1989
	(thousands of dollars)	
DISTRIBUTION REVENUE	$251,971	$255,269
COST OF GAS	103,538	98,709
Distribution margin	148,433	156,560
TRANSPORTATION REVENUE	74,147	65,013
	222,880	221,573
EXPENSES		
Operating, maintenance and administration	103,315	89,177
Interest (Note 4)	80,422	58,394
Depreciation	13,817	12,997
	197,554	160,568
NET EARNINGS	25,326	61,005
RETAINED EARNINGS, beginning of year	71,531	10,526
Continuity of interest adjustment (Note 2)	(15,180)	-
RETAINED EARNINGS, end of year	$ 81,677	$ 71,531

(See accompanying notes)

SASKATCHEWAN ENERGY HOLDINGS LTD.

(Formerly Saskatchewan Energy Corporation)

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION

FOR THE YEAR ENDED DECEMBER 31

	1990	1989
	(thousands of dollars)	
CASH PROVIDED BY (USED IN) OPERATIONS		
Net earnings	$ 25,326	$ 61,005
Add (deduct) items not requiring an outlay of cash		
-Depreciation	13,817	12,997
-Amortization of deferred income	(367)	(220)
	38,776	73,782
Net change in non-cash working capital related to operations (Note 7)	(2,940)	1,301
Cash provided by operating activities	35,836	75,083
CASH PROVIDED BY (USED IN) INVESTMENTS		
Additions to natural gas in storage	(3,083)	(56,609)
Additions to property, plant and equipment	(62,434)	(60,235)
Increase in deferred income	7,714	7,380
Net change in non-cash working capital related to investments (Note 7)	7,042	(5,357)
Cash used in investment activities	(50,761)	(114,821)
NET CASH DEFICIENCY BEFORE FINANCING	(14,925)	(39,738)
CASH PROVIDED BY (USED IN) FINANCING		
Decrease in notes payable	-	(502,588)
Increase (decrease) in long term debt	(51,485)	531,400
Net change to non-cash working capital related to financing activities (Note 7)	22,003	-
Cash provided by financing activities	(29,482)	28,812
DECREASE IN CASH during year	(44,407)	(10,926)
CASH POSITION, beginning of year	(9,976)	950
CASH POSITION, end of year	$ (54,383)	$ (9,976)

Cash consists of cash less short term debt.

(See accompanying notes)

SASKATCHEWAN ENERGY HOLDINGS LTD.

(Formerly Saskatchewan Energy Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. The following accounting policies are considered to be significant:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, SaskEnergy Incorporated (formerly Provincial Gas Limited), TransGas Limited, Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited (MIPL), and MIPL's wholly-owned subsidiary Many Islands Natural Gas (Canada) Limited. All intercompany accounts and transactions have been eliminated on consolidation.

b. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at average cost.

c. Natural gas in storage

Natural gas in storage is stated at the lower of cost or net realizable value. Gas removed from storage is accounted for on an average cost basis.

d. Property, plant and equipment

Property, plant and equipment purchased in 1988 and 1989 from a related party are recorded at the related party's net book values. All other property, plant and equipment are stated at cost and includes all direct costs plus overhead charges and an allowance for interest costs related to financing construction of each asset.

Retirement or sale of a major capital asset, or class of capital assets, is accounted for by relieving the asset accounts of the associated cost and accumulated depreciation. The difference between the proceeds and the net book value of the assets disposed is included in income for the current period.

Other retirements of assets are recorded by reducing the asset account with the cost of the asset and charging this amount, net of proceeds received, to accumulated depreciation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Depreciation expense is calculated on a straight-line basis over the estimated service life of the asset.

e. Deferred income

Deferred income consists of contributions in aid of construction relating to new service connections. These contributions are amortized on a straight-line basis over the estimated service life of the related asset.

f. Revenue recognition

Distribution revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed, is included in revenue.

Revenue is recognized when transportation and storage services are provided to customers. An estimate of transportation and storage services rendered, but not billed, is included in revenue.

2. CONTINUITY OF INTEREST ADJUSTMENT

In 1988 and 1989, the Corporation acquired substantially all of the natural gas operations of a related Provincial Crown Corporation (Vendor). The assets were acquired at appraised values. The appraised values exceeded the Vendor's net book values by $243,395 thousand.

Consideration given to the Vendor was in the form of debt and assumption of certain obligations of the Vendor.

As the Vendor is a related party, for financial reporting purposes, the purchased assets and related debt are adjusted by $243,395 thousand to reinstate the net book values of the Vendor as they were prior to the purchase. In these consolidated financial statements, this adjustment is referred to as a continuity of interest adjustment.

3. PROPERTY, PLANT AND EQUIPMENT

	1990		1989	
	(thousands)			
	Adjusted Cost (Note 2)	Accumulated Depreciation	Adjusted Cost (Note 2)	Accumulated Depreciation
Distribution	$309,469	$12,020	$285,587	$ 9,660
Transmission and storage	242,285	12,364	232,113	7,090
Gathering, treatment and compression	35,143	2,313	33,993	1,140
Vehicles, equipment and other	14,562	1,941	9,111	990
Royalty interest	6,831	210	6,831	109
Construction in progress	20,509	-	1,688	-
	$628,799	$29,848	$569,323	$18,989

Annual rates of depreciation vary from 2.1 per cent to 3.5 per cent for transmission and distribution assets. Other assets are depreciated at rates varying from 4.0 to 15.0 per cent. Application of these rates is equivalent to a composite rate of 2.4 per cent during 1990 (2.5 per cent during 1989).

4. LONG TERM DEBT

All long term debt is due to the Corporation's parent, Crown Investments Corporation of Saskatchewan.

	1990		1989	
Years to Maturity	Principal Outstanding (thousands)	Average Interest Rate	Principal Outstanding (thousands)	Average Interest Rate
1 - 5	$ 72,125	7.11	$ 120,245	7.40
6 - 10	55,591	13.38	55,592	13.38
11 - 15	281,993	10.59	253,391	11.79
16 - 20	316,965	9.75	345,567	9.87
	726,674		774,795	
Less sinking fund equity	(3,364)		-	
Long term debt	723,310		774,795	
Less current portion	(31,074)		(48,320)	
Less continuity of interest adjustment	(228,215)		(243,395)	
	$ 464,021		$ 483,080	

4. LONG TERM DEBT (continued)

The continuity of interest adjustment does not affect the Corporation's obligation to repay the full amount of the long term debt noted above as $723,310 thousand. See note 2.

The continuity of interest adjustment will be amortized to retained earnings in proportion to the principal repaid each year on debt relating to the purchase of certain assets. The amortization to retained earnings was $15,180 thousand in 1990 ($nil in 1989).

During 1989, amounts outstanding under the notes payable varied from $729,246 thousand to $774,795 thousand (of which $312,443 thousand was non-interest bearing from January 1, 1989 to August 31, 1989). Therefore interest rates ranged from zero per cent to 13.38 per cent, with an effective rate of 7.8 per cent on the average amount outstanding.

Principal repayments and sinking fund installments due in each of the next five years are as follows: (thousands)

1991	1992	1993	1994	1995
$33,811	$30,103	$7,647	$10,015	$2,229

Interest associated with major capital and development projects is capitalized during the construction period at the weighted average interest rate of long term debt in the current year. During 1990, $379 thousand was capitalized ($431 thousand during 1989).

Interest expense was as follows: (thousands)

	1990	1989
Interest on long term debt	$79,012	$58,394
Interest on short term debt	1,410	-
	$80,422	$58,394

Included in short term debt is an amount of $52,949 thousand due to Crown Investments Corporation of Saskatchewan.

5. SHARE CAPITAL

Share capital consists of the following:

Class of Shares	Authorized	Issued	1990	1989
First Preferred	Unlimited	None	$ 0	$ 0
Second Preferred	Unlimited	None	0	0
Class B Common	Unlimited	None	0	0
Class A Common	Unlimited	10	10	10
			$ 10	$ 10

The shares were issued for nominal consideration of ten dollars and all of the issued shares are owned by Crown Investments Corporation of Saskatchewan, a Provincial Crown Corporation.

6. COMMITMENTS

The Corporation has $1,402,248 thousand (1989 - $1,454,446 thousand) of forward natural gas purchase commitments and $21,225 thousand (1989 - $18,064 thousand) of related forward transportation commitments based on 1990 year end prices and contract deliveries extending up to 17 years.

7. STATEMENT OF CHANGES IN CASH POSITION

	1990	1989
	(thousands)	
The net change in non-cash working capital related to operations consists of:		
Accounts receivable	$ (3,581)	$ (4,407)
Inventories of supplies	(37)	2,516
Accounts payable	678	3,192
	$ (2,940)	$ 1,301
The net change in non-cash working capital related to investments consists of:		
Accounts payable	$ 7,042	$ (5,357)
The net change in non-cash working capital related to financing consists of:		
Accounts payable	$ 22,003	$ -

8. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and related corporations.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled on normal trade terms.

9. PENSION PLANS

Substantially all employees of the corporations included in these consolidated financial statements are members of either a defined contribution or a defined benefit pension plan.

In accordance with the terms of the respective defined contribution and defined benefit pension plans, the corporations' obligations are limited to making regular payments to the plans to match contributions made by the employees for current services.

10. INCOME TAX

As the Corporation is a wholly-owned subsidiary of a Provincial Crown Corporation, the Corporation and its wholly-owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

SASKATCHEWAN ENERGY CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1989

(WITH COMPARATIVE FIGURES FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1988)

Ernst & Young

CHARTERED ACCOUNTANTS

900 Bank of Montreal Building
2103-11th Avenue
Regina, Canada S4P 3Z8

Tel: (306) 569-1234
Fax: (306) 757-4753

AUDITORS' REPORT

To the Shareholder of
Saskatchewan Energy Corporation

We have examined the consolidated statement of financial position of **Saskatchewan Energy Corporation** as at December 31, 1989 and 1988 and the consolidated statements of earnings, retained earnings and changes in cash position for the periods then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1989 and 1988 and the results of its operations and the changes in its financial position for the periods then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Ernst + Young

Regina, Canada,
February 5, 1990.

Chartered Accountants

SASKATCHEWAN ENERGY CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 1989	As at December 31, 1988
	(thousands of dollars)	
ASSETS		
CURRENT ASSETS		
Cash	$ –	$ 950
Accounts receivable	50,364	45,957
Inventories	4,114	6,630
	54,478	53,537
NATURAL GAS IN STORAGE (Note 2)	61,409	4,800
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment (Notes 1, 2 and 3)	569,323	509,217
Less: Accumulated depreciation	18,989	6,121
	550,334	503,096
	$ 666,221	$ 561,433
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	$ 9,976	$ –
Accounts payable	36,466	38,631
Current portion of long term debt (Note 4)	48,320	–
	94,762	38,631
DEFERRED INCOME	16,848	9,688
NOTES PAYABLE (Notes 1, 2 and 4)	–	502,588
LONG TERM DEBT (Notes 1, 2 and 4)	483,080	–
CONTINGENT LIABILITIES (Note 10)		
SHAREHOLDER'S EQUITY		
Share capital (Note 5)	–	–
Retained earnings	71,531	10,526
	71,531	10,526
	$ 666,221	$ 561,433

See accompanying notes

On behalf of the Board:

_____, Director _____, Director

SASKATCHEWAN ENERGY CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS

	For the Year Ended December 31, 1989	Commencement of Operations June 1, 1988 to December 31, 1988
	(thousands of dollars)	
REVENUE		
Distribution	$ 255,269	$ 125,117
Cost of Gas	98,709	69,616
Distribution Margin	156,560	55,501
Transportation	65,013	20,716
	221,573	76,217
COSTS AND EXPENSES		
Operating, maintenance and administration	89,177	35,793
Depreciation	12,997	6,121
Interest (Note 4)	58,394	23,777
	160,568	65,691
NET EARNINGS	$ 61,005	$ 10,526

See accompanying notes

SASKATCHEWAN ENERGY CORPORATION
CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For the Year Ended December 31, 1989	Commencement of Operations June 1, 1988 to December 31, 1988
	(thousands of dollars)	
Balance at beginning of period	$ 10,526	–
NET EARNINGS	61,005	10,526
Balance at end of period	$ 71,531	$ 10,526

See accompanying notes

SASKATCHEWAN ENERGY CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION

	For the Year Ended December 31, 1989	Commencement of Operations June 1, 1988 to December 31, 1988
	(thousands of dollars)	
OPERATIONS		
Net earnings	$ 61,005	$ 10,526
Charge (credit) to operations not requiring an outlay of cash:		
-Depreciation	12,997	6,121
-Amortization of deferred income	(220)	(125)
	73,782	16,522
Net change in non-cash working capital related to operations: (Note 6)	1,301	(23,205)
	75,083	(6,683)
INVESTMENTS		
Additions to natural gas in storage	56,609	4,800
Additions to property, plant and equipment	60,235	509,217
Increase in deferred income	(7,380)	(9,813)
Net change in non-cash working capital related to investments:	5,357	(9,249)
	114,821	494,955
NET CASH DEFICIENCY BEFORE FINANCING	(39,738)	(501,638)
FINANCING		
Increase (decrease) in notes payable	(502,588)	502,588
Increase in long term debt	531,400	–
	28,812	502,588
INCREASE (DECREASE) IN CASH during period	(10,926)	950
CASH POSITION, beginning of period	950	–
CASH POSITION, end of period (Note 6)	$ (9,976)	$ 950

See accompanying notes

SASKATCHEWAN ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. The following policies are considered to be significant:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Provincial Gas Limited, TransGas Limited, Many Islands Pipe Lines (Canada) Limited, Many Islands Natural Gas (Canada) Limited, and Bayhurst Gas Limited. All inter-company accounts and transactions have been eliminated on consolidation.

b. Property, plant and equipment

On June 1, 1988, the natural gas operations of Saskatchewan Power Corporation (SaskPower) were acquired. The non-arms length nature of the purchase resulted in the transaction being recorded using the "continuity of interests" method of accounting.

The application of "continuity of interests" resulted in the assets transferred being carried forward at the amounts previously recorded.

In conjunction with the purchase, notes payable were issued to SaskPower. For financial reporting purposes, the excess of the purchase price of the assets over book value has been set off against these notes.

Property, plant and equipment are stated at cost and include all direct costs plus overhead charges and an allowance for interest costs related to financing construction of each asset.

Retirement or sale of a major item, or class of items, is accounted for by relieving the asset accounts of the cost and accumulated depreciation associated with that property. The difference between the proceeds and the depreciated cost is included in the income for the current period.

Normal retirements of assets are recorded by reducing the asset account with the cost of the asset and charging this amount, net of proceeds received, to accumulated depreciation.

Maintenance and repair costs are expensed as incurred. The costs of renewals and enhancements which extend the economic useful life of assets are capitalized.

Depreciation expense is calculated on a straight-line basis over the estimated service life of the asset. As of June 1, 1988, after an independent asset appraisal, the estimated service life assumptions used in determining rates of depreciation were revised.

Annual rates of depreciation vary from 2.1 per cent to 3.5 per cent for transmission and distribution assets. Other assets are depreciated at rates varying from 4.0 to 15.0 per cent. Application of these rates is equivalent to a composite rate of 2.5 per cent during 1989 (2.5 per cent during 1988).

c. Inventories

Inventories consist primarily of pipe and general stock for construction and maintenance and are recorded at average cost.

d. Natural Gas in Storage

Natural gas held in storage is stated at the lower of cost or net realizable value. The gas is removed from storage on an average cost basis.

e. Deferred Income

Deferred income consists of contributions in aid of construction relating to new service connections. These contributions are amortized over the estimated service life of the related asset.

f. Revenue recognition

Distribution revenue is recognized when natural gas is delivered to customers. An estimate of transportation services rendered, but not billed, is included in transportation revenue.

g. Pension plans

Participation in a pension plan is available to substantially all employees. There is a defined contribution plan and the amount to be paid is determined by the Superannuation (Supplementary Provisions) Act. Certain former employees of SaskPower are entitled to remain in SaskPower's defined benefit plan, the contributions to which are based on actuarial valuations. The plan is administered under The Power Corporation Superannuation Act.

2. ASSET ACQUISITIONS
(thousands of dollars)

a. Effective June 1, 1988, the Corporation acquired the net natural gas assets and assumed the natural gas operations of SaskPower, in exchange for promissory notes in the aggregate amount of $619,550 and the assumption of current liabilities of $33,016. The acquisition consisted of substantially all of the gas gathering, treatment, transmission and distribution operations of SaskPower.

The SaskPower assets were acquired at an independently appraised value of $652,566 , which included current assets transferred at SaskPower's book value of $27,493. The appraisal was performed effective June 1, 1988, using the market value for continued use method.

The acquisition was accounted for by using the "continuity of interests" method and is summarized below:

The property plant and equipment acquired were recorded on the books of SaskPower at a gross book value of $571,636 , with accumulated depreciation of $173,221. These assets have been recorded on the basis of net book value.

Current Assets	$ 27,493
Property, Plant and Equipment (net)	398,415
	$ 425,908
Current Liabilities	$ 33,016
Notes payable to SaskPower (face amount $619,550)	392,892
	$ 425,908

Under the terms of the agreements with SaskPower, SaskPower agreed to provide additional financing as required. Such additional amounts were added to and combined with the SaskPower notes.

b. Effective January 1, 1989, the Corporation exercised an option to acquire from SaskPower a gross overriding royalty interest on certain oil and gas properties for $23,568. The estimated market value was based upon the valuation performed by independent reservoir engineers, plus financing charges from the date the option was granted. The purchase was accounted for by using the continuity of interests method.

c. On January 1, 1989, 1 920 million cubic metres (54.1 billion cubic feet) of natural gas was purchased from SaskPower for $47,459 , which represented SaskPower's book value. The natural gas is stored in the Corporation's facilities.

3. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)

	December 31, 1989		December 31, 1988	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Gathering, treatment and compression	$ 33,993	$ 1,140	$ 14,489	$ 301
Transmission and storage	232,113	7,090	200,609	2,155
Distribution	285,587	9,660	259,581	3,354
Vehicles, equipment and other	9,111	990	7,192	311
Construction in progress	1,688	–	27,346	–
Royalty Interest	6,831	109	–	–
	$569,323	$18,989	$509,217	$ 6,121

4. LONG TERM DEBT

(thousands of dollars)

a. Notes payable to SaskPower were issued as part of the June 1, 1988 acquisition of SaskPower's natural gas operations. Subsequently additional financing was received from SaskPower.

The use of the "continuity of interests" method to account for this acquisition (see note 1) results, for financial reporting purposes, in the set off against this indebtedness of the excess of the purchase price of the assets over book value, as illustrated below. Upon settlement of the debt, the excess is transferred to retained earnings. The Corporation remains liable for the full amount of the indebtedness.

	December 31/89	December 31/88	June 1/88
Total indebtedness to related parties	$ 774,795	$ 729,246	$ 619,550
Excess over book value	(243,395)	(226,658)	226,658)
Indebtedness for Financial Reporting purposes	$ 531,400	$ 502,588	$ 392,892
Less current portion	48,320	–	–
	$ 483,080	$ 502,588	$ 392,892

b. During 1989, amounts outstanding under the notes and advances varied from $729,246 to $774,795. Interest rates ranged from zero per cent to 11 per cent, with an effective rate of 7.8 per cent on the average amount outstanding. During 1988, the amount outstanding varied from $619,550 to $729,246 , with an effective rate of 5.9 per cent.

c. On December 31, 1989, Crown Investments Corporation (CIC) acquired 100 per cent of the share capital of the Corporation from SaskPower. As part of the transaction, the notes payable to SaskPower were replaced with an equal amount of obligations to CIC. The obligations to CIC bear interest at an average rate of 10.76 per cent per annum, with rates varying from 5.50 per cent to 13.48 per cent.

Schedule of Principal Repayments

Total	1990	1991	1992	1993	1994	1995 & Beyond
$774,795	48,320	31,074	27,714	5,352	7,785	654,550

Sinking fund installments payable for the next five years are as follows:

1990:	3,948
1991:	3,152
1992:	2,736
1993:	2,390
1994:	2,295

Capitalization of interest

Interest associated with major capital and development projects is capitalized during the construction period at the weighted average interest rate of long term borrowings in the current year. During 1989, $ 614 was capitalized ($ 1,381 during 1988).

5. SHARE CAPITAL

On July 17, 1989, Share Capital was amended to authorize an unlimited number of Class A common shares without nominal or par value, none of which are issued or outstanding; an unlimited number of Class B common shares without nominal or par value, of which 10 shares are issued and outstanding ($10); an unlimited number of First Preferred Shares without nominal or par value, none of which are issued or outstanding; and an unlimited number of Second Preferred Shares without nominal or par value, none of which are issued or outstanding.

6. STATEMENT OF CHANGES IN CASH POSITION

(thousands of dollars)

	For the Year Ended December 31, 1989	Commencement of Operations June 1, 1988 to December 31, 1988
The net change in non-cash working capital related to operations consists of:		
Accounts receivable	$ (4,407)	$ (45,957)
Inventories	2,516	(6,630)
Accounts payable	3,192	29,382
	$ 1,301	$ (23,205)
The net change in non-cash working capital related to investments consists of:		
Accounts payable	$ (5,357)	$ 9,249

Cash consists of cash plus short term investments, less bank indebtedness.

7. RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and related corporations.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled in normal trade terms.

Further information pertaining to the acquisition of assets is presented in notes 2, and 4.

8. COMMITMENTS

(thousands of dollars)

The Corporation has $1,454,446 of forward natural gas purchase commitments and $18,064 of related forward transportation commitments based on 1989 year end prices and contract deliveries extending up to 18 years.

9. PENSION PLAN
(thousands of dollars)

The Corporation's required contributions to all pension plans, including Canada Pension Plan, totalled $960 during 1989 ($348 during 1988).

10. CONTINGENT LIABILITIES

Provision has been made for all material contingent liabilities of which the Corporation is currently aware.